



**CORRECTED
FISCAL MEMORANDUM**

HB 186 - SB 694

April 2, 2023

SUMMARY OF BILL AS AMENDED (006165): Requires the Division of TennCare to develop and implement a pilot program in FY23-24 through FY24-25 to provide supplemental payments to a hospital or ambulatory surgical treatment center that, at the direction of a healthcare provider, purchases a Vagus nerve stimulation (VNS) therapy device and implants the device into a qualified TennCare patient.

FISCAL IMPACT OF BILL AS AMENDED:

Based on additional information received on the costs of VNS therapy devices, the estimated fiscal impact issued March 20, 2023 was determined to be in error. The corrected fiscal impact is as follows:

(CORRECTED)

**Increase State Expenditures – \$1,498,000/FY23-24
\$1,498,000/FY24-25**

**Increase Federal Expenditures – \$2,842,000/FY23-24
\$2,842,000/FY24-25**

Assumptions for the bill as amended:

- VNS is an approved treatment by the Food and Drug Administration to reduce seizures in adults and adolescents age 12 and older.
- VNS is currently covered by the Division of TennCare when determined to be medically necessary. Requiring TennCare managed care organizations (MCOs) to pay a supplemental cost for the device will result in a fiscal impact.
- According to TennCare, there has been an average of 100 VSN devices placed annually since 2019. The proposed legislation will not result in additional VNS devices being implanted annually.
- The average difference between the negotiated MCO contracted rate for the VNS with the facility and the charged amount for the VNS by the facility is \$51,802 per device. This average cost includes costs charged beyond the device itself.
- Based on information from one device provider, the average cost per device in Tennessee was \$39,250 2022. For purposes of this analysis, it is assumed this is an average cost across all device providers.

- Based on the average medical care inflation rates per U.S. cities from 2002 to 2022 published by the U.S. Bureau of Labor statistics, the average annual inflation rate is estimated to be 3.4 percent. Therefore, the cost per device over the two year pilot project is estimated to be \$43,400 ($\$39,250 \times 1.034 \times 1.034 \times 1.034$).
- The estimated increase in TennCare expenditures is \$4,340,000 (100 devices x \$43,400).
- Medicaid expenditures receive matching funds at a rate of 65.485 percent federal funds to 34.515 percent state funds.
- The recurring increase in state expenditures is estimated to be \$1,497,951 ($\$4,340,000 \times 34.515\%$) in each FY23-24 and FY24-25.
- The recurring increase in federal expenditures is estimated to be \$2,842,049 ($\$4,340,000 \times 65.485\%$) in each FY23-24 and FY24-25.

IMPACT TO COMMERCE OF BILL AS AMENDED:

**Increase Business Revenue – \$4,340,000/FY23-24
\$4,340,000/FY24-25**

Assumptions for the bill as amended:

- These services are currently being provided; therefore, any impact on business expenditures is estimated to be not significant.
- Supplemental payments to hospitals and surgical treatment centers will result in an increase in business revenue of \$4,340,000 in each FY23-24 and FY24-25.
- Any impact to jobs in the state is not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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